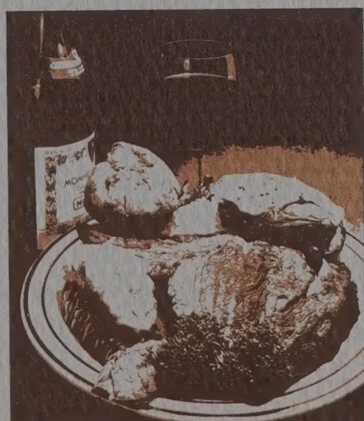
ANNUAL REPORT 1980

CONTROLLED FOODS INTERNATIONAL LTD.

ROB



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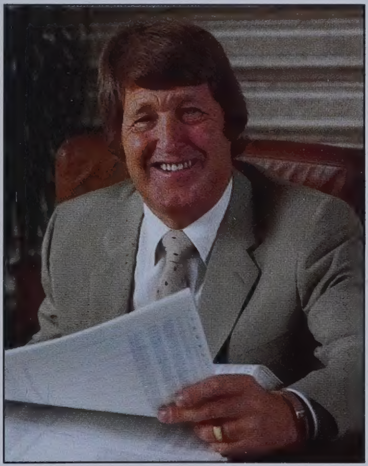
1980 . . . *a successful year for your company.*

PRESIDENT'S REPORT



I feel our results for 1980, both financially and operationally, are very gratifying.

We had sales of \$58 million — an increase of 5% over last year and a new high for your company. Profits, after taxes and extraordinary items, came to \$1,323,000 or 69¢ a share which, compared to the previous year's \$524,000 or 27¢ a share, is an increase of more than 100%.

Operationally, we have completed our decentralization process and each major food division within the company now has its own president. We feel this restructuring of responsibilities will allow each division to better pursue its plans for expansion and growth while, at the same time, contributing to the company's overall, long-term objectives. Each president deals with the activities of his division in greater detail elsewhere in this report.

In general, then, 1980 has been a successful year for your company. Besides changes in the management structure, it has yielded higher revenues and meant a substantial increase in operating profits. And to all our people, both in the field and at head office, I want to express a sincere vote of thanks for the invaluable contribution you have made.

The year ahead, I feel, represents a major challenge and opportunity for your company. The marketplace is changing. Our customer profile is changing. Competition for the food dollar is growing ever keener. But I am confident that, with the quality and diversity of product we have, the talented and resourceful people we have, we will respond energetically and successfully to whatever the future holds.

On behalf of the Board.
April 30, 1981

"We want to maximize those areas of greatest potential . . ."

NEIGHBOURHOOD DIVISION

VITTLES™
BARBEQUE CHICKEN
RIBS & STEAK

Fuller's

Sales for 1980 in the Neighbourhood Restaurant Division, when viewed for the total division, could best be described as flat. However, sales in stores we identified as having the greatest potential, met or exceeded our expectations. In fact, the remaining marginal stores were, more often than not, the factor that pulled overall divisional sales figures down.

The continued divestment of these marginal locations will allow us to greatly reduce field management expenses while better employing our resources. It will, in turn, lead to improved sales and profit figures for the division as a whole.

Systematic refinement of the positioning of our stores in the marketplace continued during 1980. The ongoing thrust of our efforts is the move away from the old coffee shop format and decor and the development of a concept that would be more competitive in today's market. The result is Vittles — Good Food, Good Value and Good Times — in a casual environment. Vittles specializes in Barbeque Chicken, Ribs and Steak, priced to fall between the budget family restaurants and dinner houses.

The Vittles atmosphere is warm, friendly, family-oriented but not heavily themed. Central to its appeal is the Display Cooking area where customers can see their meals being prepared.

The first Vittles opened late in 1980 in Toronto, Ontario and initial results have met or surpassed our targeted sales and customer counts. Of the many critical objectives assigned to this first location was the one of generating a major portion of its business during the evening dinner period. Results showed this time period accounted for over 70% of total sales and those sales figures have increased each month since the first full month of operation, despite the fact that sales are typically down during that seasonally cold time of year in Eastern Canada.

Because of the success of this unit, your Neighbourhood Restaurant Division plans to remodel and convert some of the existing Fuller's operations in Alberta to Vittles Restaurants.

The move is totally in keeping with our stated objective of maximizing those areas of greatest potential for sales and profits. It is also a direction that is being viewed with great enthusiasm and expectation by all of us who will be working hard during the coming year to improve our position in the marketplace.

President,
Neighbourhood Restaurant Division


12,3 % alc./vol.

"It was a year of continuous development . . ."

DINNERHOUSE DIVISION

CORKSCREW

Your Dinnerhouse Division — essentially Corkscrew — served over two million meals in 1980 and enjoyed an increase in sales of $2.7 million or 13%. Profit before occupancy costs increased $1.265 million or 27%.

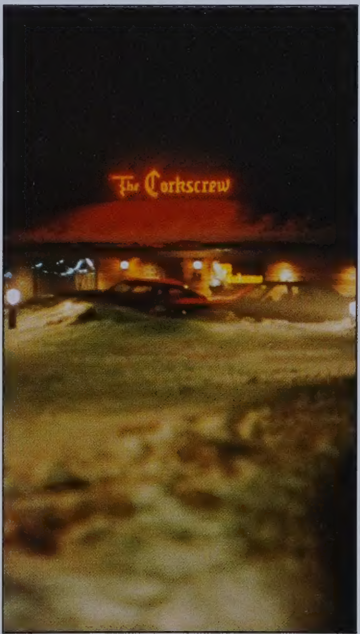
Meal counts tended to reflect regional economic conditions. In B.C. and Alberta, where significant population increases took place and healthier economic conditions prevailed, they were up. In Ontario, on the other hand, they remained constant.

Major design and concept repositioning took place in Corkscrews during 1980. We progressed from the surroundings of war and weaponry to a more aesthetically pleasing decor of the Renaissance and artifacts associated with Gallileo, Da Vinci and British architect Inigo Jones.

Menu changes reflected the Renaissance theme. We introduced traditional "hotchpot" (meat pie) and Bryde Pie (quiche) for lunch. A new dinner service for early week called "Medieval Feasts"— offered on a scroll-type menu — was introduced in Alberta. It proved to be so successful that four seasonally adjusted Medieval Feasts called "The Feasts of the Seasons" will be introduced in all restaurants across Canada in 1981.

General product and service development was continuous throughout the year. We standardized and implemented new menus and menu items for lunch, brunch, dinner, desserts and spirits. All restaurants doubled their items available to the customer. We also introduced finger food snacks into many of our lounges.

A staff training program — using video tape — was begun with very encouraging results and will be continued and refined in the future.



We opened the fourteenth Corkscrew in Coquitlam, B.C. We renovated the lounge and dining rooms in Calgary Trail (Edmonton) and Richmond (B.C.) and the lounge in the Toronto Dominion Centre in Calgary. All are responding positively to the new decor and menus and report increased customer counts and profits.

Plans for 1981 include the opening of Corkscrews in Calgary and in Brampton, Ontario. Other sites under consideration are Seattle, Toronto and Edmonton. Existing Corkscrews in Mississauga, Calgary, Edmonton, Kitchener and Chelsea will undergo major renovation in 1981 while the Stoney Creek, Ontario unit has been designated the first site for a new lounge concept to be known as Indigo's.

I want to thank the employees and supervisors of our Dinnerhouse Division for their support during a year of continuous development. I am proud to report that many of our new products and services are the result of their suggestions. And I know that, with their continued encouragement and loyalty, we can achieve our goal of becoming the "Best Restaurant Company in Canada."

President, Dinnerhouse Division

A&W continues to grow

FAST FOOD DIVISION

I am pleased to report another successful year for the Fast Food Division. Sales of $17.2 million were achieved during the year in our 50 units, an increase of 4.7% over the previous year. Divisional profit margins declined somewhat by .9% during the same period. This decrease was due largely to rising food and packaging costs during a time when we minimized menu price increases — a strategy aimed at maintaining long-term profitability.

The success of the past year can, in large part, be attributed to a continuation of our "Event Marketing Strategy" established in 1978, featuring several unit promotions throughout the year. We continued our efforts to achieve excellence in operating standards through improved quality assurance systems and employee training programs.

Your Company continues to participate in the A&W restage program initiated by the franchisor in 1979. The introduction of new menu items, improved packaging, and new graphics have contributed to significantly greater operating results in test units. A full scale market test will be introduced in Victoria, B.C. later this year, prior to a planned national rollout in late 1982.

The A&W Shopping Centre program continued to gain momentum in 1980 with the establishment of one unit in St. Albert, Alberta, and another in St. Catharines, Ontario. Negotiations started in 1980 will ensure the opening of a minimum of three additional units during 1981. These units have become an excellent growth opportunity for this Division.

Our objective to further expand the business base of the Fast Food Division continues to be a priority issue, and in that regard we continue to investigate various opportunities within the industry. While we wish to diversify somewhat, we recognize the need to proceed cautiously and to be aware of the evolving changes in the marketplace. We anticipate development of prototype units

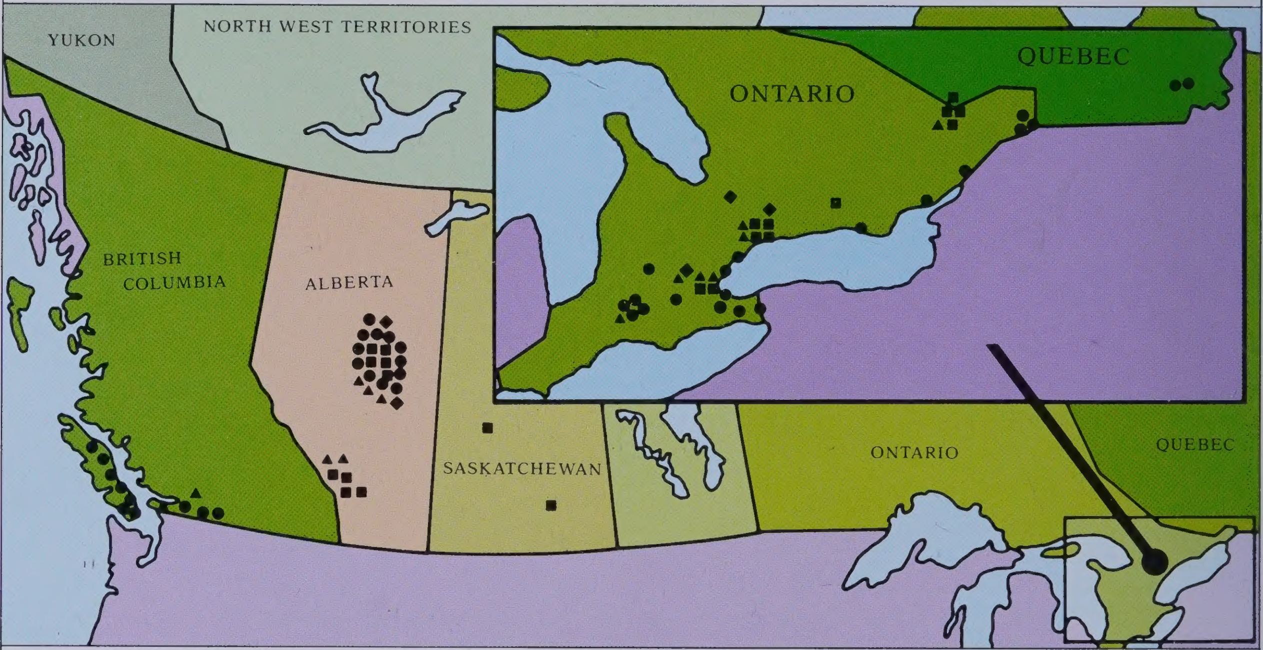
during the latter part of 1981.

The results achieved during 1980, and those expected in the years ahead, are not possible without the continual hard work, dedication and enthusiasm of our personnel. During the past year several of our employees celebrated anniversaries in excess of ten years; and a few, in excess of twenty years. It is people such as these that we depend upon, and we are sincerely appreciative of the contribution and commitment of all our employees during the past year.

President, Fast Food Division

RESTAURANT LOCATIONS

● A&W's
■ FULLER'S
▲ CORKSCREW
◆ OTHER



A&W RESTAURANTS
Alberta:
Edmonton — 13

British Columbia:
Abbotsford — 1
Chilliwack — 1
Courtenay — 1
Duncan — 1
Haney — 1
Nanaimo — 1
Victoria — 3

Ontario:
Brockville — 1
Cornwall — 2
Kingston — 1
London — 4
Niagara Falls — 1
Oakville — 1
St. Catharines — 2
Stratford — 1
Trenton — 1
Welland — 1
Woodstock — 1

Quebec:
Sherbrooke — 2

CORKSCREW RESTAURANTS
Alberta:
Edmonton — 3
Calgary — 2

Ontario:
Hamilton — 1
Kitchener — 1
London — 1
Oakville — 1
Ottawa — 1
Toronto — 2

British Columbia:
Coquitlam — 1
Richmond — 1

FULLER'S RESTAURANTS
Alberta:
Calgary — 4
Edmonton — 5

Ontario:
Hamilton — 2
Ottawa — 3
Peterborough — 1
Toronto — 4

Quebec:
Hull — 1

Saskatchewan:
Regina — 1
Saskatoon — 1

MISSISSAUGA'S SQUARE ONE SHOPPING CENTRE (Serviced by 10 fast food bars) in addition to Fuller's, Corkscrew, and Laredo Junction.

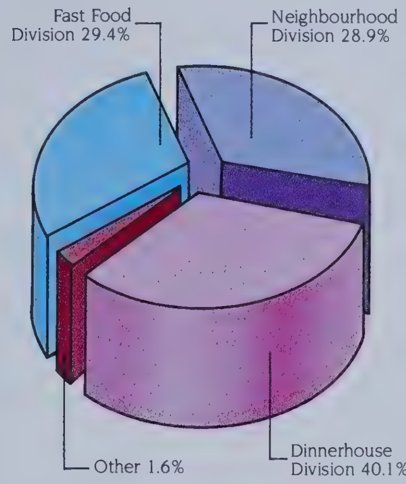
OTHER RESTAURANTS
Laredo Junction:
Mississauga — 1
Toronto — 1

Jerry's Malt Shop:
Kitchener — 1

FINANCIAL HIGHLIGHTS

	(000's *eliminated*) 1980	1979
Revenues	$59,454	$56,685
Income before extraordinary items	1,161	796
Net income for period	1,323	524
Funds from operations	2,080	1,460
Total assets	25,737	23,936
Shareholders' equity	9,735	8,412
Per share:		
Income before extraordinary items	$ .60	$ .41
Net income for year	.69	.27
Funds from operations	1.08	.76
Shareholders' equity	5.05	4.36
Number of restaurants at year-end:		
A&W's	38	39
Fuller's	22	23
Corkscrew's	14	13
Other	14	14
	88	89

SALES BY DIVISION — 1980



SALES BY DIVISION — 1980

Fast Food Division	$17,204,000
Dinnerhouse Division	23,427,000
Neighbourhood Restaurants	16,879,000
Other	940,000
	$58,450,000

CORPORATE INFORMATION

DIRECTORS:
James A. Cox
Kenneth A. Fowler
LeRoy E. Fuller
Robert R. Roe
Grey B. Sisson

OFFICERS:
Chairman of the Board, President and Chief Executive Officer,
LeRoy E. Fuller

Chief Financial Officer
Robert R. Roe

President — Neighbourhood Restaurant Division,
James E. Carter

President — Fast Food Division,
Stephen A. MacIntyre

President — Dinnerhouse Division,
Michael J. Fuller

HEAD OFFICE:
Suite 226 - 4664 Lougheed Highway,
Burnaby, B.C., Canada V5C 4A4

SOLICITORS:
Davis & Company

TRANSFER AGENT:
Canada Permanent Trust Company

AUDITORS:
Clarkson Gordon

BANKERS:
The Mercantile Bank of Canada

STOCK LISTING:
The Toronto Stock Exchange
Symbol: CFS

CONTROLLED FOODS INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEET

JANUARY 4, 1981
(with comparative figures at December 31, 1979)

ASSETS

	January 4, 1981	December 31, 1979
CURRENT:		
Cash and term deposits	$ 679,118	$ 69,823
Notes and accounts receivable (note 10)	676,163	451,522
Income taxes recoverable	—	272,169
Inventory	1,402,569	1,892,258
Prepaid expenses and deposits	432,315	47,001
Total current assets	3,190,165	2,732,773
NOTES AND ACCOUNTS RECEIVABLE (note 10)	125,376	141,139
INVESTMENTS IN JOINT VENTURES (note 2)	152,708	174,684
FIXED (notes 3 and 4)	22,019,587	20,682,484
FRANCHISES AND OTHER	249,359	204,693
	$25,737,195	$23,935,773

On behalf of the Board:

Director

Director

CONTROLLED FOODS INTERNATIONAL LTD.

Statement 1

LIABILITIES AND SHAREHOLDERS' EQUITY

	January 4, 1981	December 31, 1979
CURRENT:		
Accounts payable and accrued charges	$ 4,096,228	$ 3,907,561
Income and other taxes payable	193,713	—
Current portion of long term debt (note 4)	2,311,403	1,209,345
Total current liabilities	6,601,344	5,116,906
LONG TERM DEBT (note 4)	6,931,953	7,746,580
OBLIGATIONS UNDER CAPITAL LEASES (note 5)	1,796,986	1,815,993
DEFERRED INCOME TAXES	671,931	843,931
SHAREHOLDERS' EQUITY:		
Share capital —		
Authorized: 4,000,000 shares without par value		
Issued: 2,763,166 shares	3,764,630	3,764,630
Retained earnings (statement 2)	7,898,472	6,575,854
	11,663,102	10,340,484
Less 835,600 shares acquired and held by the company at cost	1,928,121	1,928,121
	9,734,981	8,412,363
	$25,737,195	$23,935,773

(See accompanying notes)

CONTROLLED FOODS INTERNATIONAL LTD.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Statement 2

PERIOD ENDED JANUARY 4, 1981

(with comparative figures for the year ended December 31, 1979)

	January 4, 1981	December 31, 1979
REVENUES:		
Sales	$58,449,636	$55,689,402
Other (note 6)	1,003,994	995,975
	59,453,630	56,685,377
EXPENSES:		
Cost of sales	21,929,841	20,979,857
Depreciation and amortization	1,670,767	1,406,949
Selling, operating, general and administrative expenses	32,979,186	31,975,591
Interest —		
Long term debt	1,192,857	1,252,847
Other	20,355	97,227
	57,793,006	55,712,471
Income before income taxes and extraordinary items	1,660,624	972,906
Income taxes (note 7):		
Current	672,000	367,235
Deferred (recovery)	(172,000)	(190,400)
	500,000	176,835
Income before extraordinary items	1,160,624	796,071
Extraordinary items (note 8)	161,994	(272,515)
NET INCOME FOR PERIOD	1,322,618	523,556
Retained earnings, beginning of period	6,575,854	6,052,298
RETAINED EARNINGS, END OF PERIOD	$ 7,898,472	$ 6,575,854
Net income per share (note 9):		
Before extraordinary items	$ .60	$ .41
After extraordinary items	$ .69	$ .27

(See accompanying notes)

CONTROLLED FOODS INTERNATIONAL LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Statement 3

PERIOD ENDED JANUARY 4, 1981

(with comparative figures for the year ended December 31, 1979)

	January 4, 1981	December 31, 1979
SOURCE OF FUNDS:		
Operations —		
Income for period before extraordinary items	$ 1,160,624	$ 796,071
Items not representing an outlay (receipt) of funds:		
Depreciation and amortization	1,670,767	1,406,949
Deferred income taxes	(172,000)	(190,400)
Gains on disposal of fixed assets	(597,802)	(723,772)
Gain on disposal of interest in joint ventures	(180,907)	—
Share of losses in joint ventures	199,206	171,480
Total funds from operations	2,079,888	1,460,328
Obligations incurred under capital leases	—	1,831,453
Income taxes relating to sale of hotel division	54,000	(53,000)
Common shares issued	—	99,996
Decrease in long term receivables	15,763	125,150
Proceeds on disposal of interest in joint venture	210,477	—
Proceeds on disposal of fixed assets	1,972,299	6,523,624
Long term debt financing	2,561,597	2,267,750
	6,894,024	12,255,301
APPLICATION OF FUNDS:		
Fixed assets acquired	4,250,706	6,876,037
Increase in other assets	68,333	5,865
Investments in joint ventures	206,800	49,165
Repayment of obligations under capital leases	19,007	15,460
Reduction in long term debt	3,376,224	4,591,913
Capital leases acquired	—	1,831,453
	7,921,070	13,369,893
Increase in working capital deficiency	1,027,046	1,114,592
Working capital deficiency, beginning of period	2,384,133	1,269,541
Working capital deficiency, end of period	$ 3,411,179	$ 2,384,133

(*See accompanying notes*)

CONTROLLED FOODS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 4, 1981

1. **Accounting policies —**

The following is a summary of significant accounting policies used in the preparation of these financial statements.

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the company and all subsidiary companies as follows:

Wholly-owned subsidiaries —
- Controlled Foods Corporation Limited
- The Corkscrew Restaurant Ltd.
- Starview Holdings Ltd.
- Courtenay A&W Drive-In Ltd.
- Corkscrew Restaurants, Inc.

66⅔% owned —
- Laredo Junction Restaurants Limited

Investments in joint ventures are accounted for on the equity basis.

(b) Inventory:

Inventories of food and packaging are valued at the lower of cost and net realizable value.

(c) Depreciation and amortization:

Depreciation is computed on the straight-line basis over the estimated useful life of the assets at rates varying from 5% to 20%. Leasehold improvements are amortized over the life of the applicable lease.

Amortization of other assets:

Franchises are amortized on a straight-line basis over the terms of the contractual agreements ranging from ten to twenty years.

(d) Income taxes:

In accounting for income taxes the companies follow the tax allocation method. The major timing difference relates to the depreciation of fixed assets.

(e) Change in year end:

Commencing January 1981 the company's fiscal year will consist of 13 four week periods ending on the first Sunday following the end of the calendar year. To allow for this change, the 1980 financial statements reflect the results of operations from January 1, 1980 to January 4, 1981 (370 days).

2. **Investments in joint ventures —**

	Investment	Accumulated net losses	Balance January 4, 1981	Balance December 31, 1979
Battlefield Holdings — 25%				$ 29,570
Parkway Associates — 33⅓%	$461,070	$348,611	$112,459	104,865
T.P.S. Holdings — 50%	45,765	5,516	40,249	40,249
	$506,835	$354,127	$152,708	$174,684

During the period, the company disposed of its interest in Battlefield Holdings, a joint venture which owns property on which the company operates a restaurant. The related gain on sale of $180,907, as well as the company's share of the losses for the period from the Parkway Associates joint venture amounting to $199,206, have been included in other revenue (note 6).

3. **Fixed assets —**

Fixed assets are carried at cost and comprise:

	Cost	Accumulated depreciation and amortization	January 4, 1981 Net value	December 31, 1979 Net value
Buildings	$ 7,438,079	$ 1,769,002	$ 5,669,077	$ 5,070,086
Equipment, signs, fences and paving	8,908,037	4,455,449	4,456,753	3,991,528
Leasehold improvements	9,321,501	2,264,931	7,052,405	6,931,792
	25,667,617	8,489,382	17,178,235	15,993,406
Land	4,841,352	—	4,841,352	4,689,078
	$30,508,969	$ 8,489,382	$22,019,587	$20,682,484

4. **Long term debt —**

Long term debt consists of:

	January 4, 1981	December 31, 1979
Bank loan — with interest at 1½% over the bank's prime rate, repayable in quarterly instalments of $113,646 beginning September 30, 1981 with the balance due March 31, 1987	$2,727,506	$2,267,750
Bank loan — with interest at 1½% over the bank's prime rate, repayable in monthly instalments of varying amounts with the balance due January 31, 1983	962,664	1,494,660
Bank loan — with interest at 1½% over the bank's prime rate, repayable in monthly instalments of varying amounts with the balance due June 1, 1983	1,589,471	2,099,306
Mortgages and agreements — with interest rates from 8¾% to prime plus 2½% and maturing at various dates to March 2006, with land and buildings pledged as collateral	$2,682,068	$2,704,392
Land purchase commitment — due March, 1993	250,000	250,000
Notes payable — due at various dates to December 1985, with certain equipment pledged as collateral	1,031,647	139,817
	9,243,356	8,955,925
Less amounts due within one year	2,311,403	1,209,345
	$6,931,953	$7,746,580

Principal amounts repayable over the next five fiscal periods are as follows:

1982 — $2,311,403	1985 — $612,000
1983 — 2,938,000	1986 — 489,000
1984 — 1,056,000	

The company has assigned as collateral for its bank indebtedness a registered demand debenture in the amount of $15,000,000 providing fixed and floating charges against the assets of the company and its subsidiaries.

5. **Leases —**

Leases capitalized and included in fixed assets by the company under capital leases are as follows:

	January 4, 1981	December 31, 1979
Buildings	$1,831,453	$1,831,453
Less accumulated amortization	107,598	27,198
	$1,723,855	$1,804,255

Future minimum lease payments under the above capital leases together with the related present value are as follows:

	January 4, 1981	December 31, 1979
Total minimum lease payments	$5,498,084	$5,752,670
Less amounts representing interest	3,685,323	3,925,911
Present value of minimum lease payments	1,812,761	1,826,759
Less amounts due in one year included in accounts payable and accrued charges	15,775	10,766
	$1,796,986	$1,815,993

Minimum annual lease payments amount to $255,000 for each of the succeeding five fiscal periods.

The company also leases property and equipment under leases which are classified as operating leases with varying terms up to a maximum of twenty-five years with rentals varying in some instances with gross revenues, taxes, insurance and other occupancy charges. Minimum rentals for the succeeding five fiscal periods are as follows:

1982 — $2,932,000 1984 — $2,559,000 1986 — $2,432,000
1983 — 2,801,000 1985 — 2,431,000

Included in the above commitments are leases which, had they been entered into subsequent to January 1, 1979, would be required to be recorded as capital leases under current accounting principles. The effect on the company's financial statements had the leases been capitalized retroactively is as follows:

	January 4, 1981	December 31, 1979
Increase in capital leases — net of accumulated amortization	$3,987,000	$4,648,000
Increase in current liabilities	$ 651,000	$ 516,000
Increase in long term obligations	4,550,000	5,203,000
Decrease in shareholders' equity	(1,214,000)	(1,071,000)
	$3,987,000	$4,648,000

Had the leases been retroactively treated as capital leases, the income for the period ended January 4, 1981 would have been decreased by $143,000.

6. **Other revenue —**

Included in other revenue are gains on the sale of fixed assets amounting to $597,802 (1979 — $723,772). Also included is the gain on disposition of the interest in a joint venture and losses referred to in note 2.

7. **Income taxes —**

The income tax provision of $500,000 differs from the result which would be obtained by applying the combined Canadian Federal and Provincial income tax rate of 50% to the income before income taxes and extraordinary items. The difference results from the following items.

	Amount	% of earnings before extraordinary items
Computed "expected" tax expense on income before income taxes and extraordinary items of $1,660,624	$830,000	50%
Non-taxable portion of gain on sale of fixed assets and joint venture interest	(279,000)	(16.8)
Inventory allowance	(28,000)	(1.7)
Manufacturing and processing deduction	(54,000)	(3.3)
Other	31,000	1.9
Income tax provision	$500,000	30.1

One of the company's subsidiaries has differences in timing of expenses for income tax and financial reporting purposes relating primarily to the depreciation of fixed assets. The estimated tax benefit of $134,000 resulting from these timing differences has not been recorded in the accounts as realization is not reasonably assured.

8. **Extraordinary items —**

The extraordinary items comprise:

	January 4, 1981	December 31, 1979
Gain (loss) on sale of hotel division	$107,994	$(219,515)
Income taxes	(27,000)	(53,000)
	80,994	(272,515)
Recognition of deferred taxes not previously recorded	81,000	—
	$161,994	$(272,515)

9. **Per share calculation —**

Earnings per share have been calculated using the monthly weighted average number of shares outstanding during the period.

10. **Related party transactions —**

(a) During the period, a company controlled by a director provided the company with consulting services for a fee of $30,000.

(b) The company holds a one-third interest in a joint venture, Parkway Associates (note 2), in which a company controlled by a director is also a participant. One of the company's restaurants leases facilities from the joint venture.

(c) Included in current and long term notes and accounts receivable are amounts due from shareholders, officers and directors as follows:

	January 4, 1981	December 31, 1979
Advanced for the purchase of shares in the company	$ 50,834	$ 50,834
Advanced for the purchase of a home	86,000	92,000
Other	—	5,000
	$136,834	$147,834

11. **Statutory information —**

Remuneration of directors and senior officers (as defined by The British Columbia Company Act) amounted to $415,106 (1979 — $506,658).

12. **Commitments —**

At January 4, 1981 certain subsidiary companies have commitments for construction projects totalling $450,000.

AUDITORS' REPORT

To the Shareholders of
Controlled Foods International Ltd.:

We have examined the consolidated balance sheet of Controlled Foods International Ltd. as at January 4, 1981 and the consolidated statements of income and retained earnings and changes in financial position for the period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of other auditors for joint ventures accounted for on the equity basis.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 4, 1981 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon
Chartered Accountants

Vancouver, Canada
March 6, 1981

FIVE YEAR STATISTICAL REVIEW

(000's *eliminated*)

	1980	1979	1978	1977	1976
Sales	$58,450	$55,689	$53,655	$46,495	$35,284
Other Income	1,004	996	384	301	163
	59,454	56,685	54,039	46,796	35,447
Cost of Sales	21,930	20,980	19,655	17,048	12,389
Operating Expenses	32,979	31,975	28,562	25,424	19,345
	54,909	52,955	48,217	42,472	31,734
Operating Profit	4,545	3,730	5,822	4,324	3,713
Depreciation and amortization	1,671	1,407	1,389	1,226	910
Interest	1,213	1,350	1,311	1,314	876
	2,884	2,757	2,700	2,540	1,786
Income before income taxes	1,661	973	3,122	1,784	1,927
Income taxes	500	177	1,371	644	702
Income before extraordinary items	1,161	796	1,751	1,140	1,225
Extraordinary items	162	(272)	—	264	—
Net income for period	$ 1,323	$ 524	$ 1,751	$ 1,404	$ 1,225
Average number of shares outstanding	1,928	1,922	1,887	1,882	1,864
Net income per share before extraordinary items	$ .60	$ .41	$ .93	$ .60	$ .66
Net income per share	$ .69	$ .27	$ .93	$ .75	$ .66